Urban Nation, Federal State: Rethinking Relationships

A Western Cities Project Discussion Paper

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INTRODUCTION

The growing public policy interest in cities as gateways to the new global economy leads to a fundamentally important question: why are some cities more successful than others? Research to date shows that public policies can have significant influence on the factors that enable cities to prosper in a global economic system. It follows, then, that the Canadian federal system within which policy-making occurs is also a key factor for creating prosperous cities.

Should Canadians reconsider the role of municipalities in federalism? We have traditionally shied away from such debate, in part due to a general lack of attention to cities, and in part due to a reluctance to address what is perceived to be a "constitutional" issue. However, as this report will show, the existing federal arrangements should not be seen as a constitutional straightjacket; as Australia and the United States demonstrate, there is ample room within the existing constitutional framework for new innovative relationships among the federal, provincial and municipal governments. While the federal relationship is certainly not only the factor influencing success, its impact can no longer be ignored within the context of an increasingly competitive continental and global environment.

Why should Canadians be concerned about their cities?

Historically, cities have not registered as a high priority in the national social, economic, or political consciousness. When the role of municipalities was defined in the Baldwin Act of 1849, major concerns of local government included "drunkenness and profanity, the running of cattle or poultry in public places, itinerant salesman, the repair of roads, and the prevention or abatement of . . . noises and nuisances" (FCM, 2001a: 1). At the time of Confederation in 1867, major economic and political decision-making became the focus of the provincial and federal governments. A look at Canada's large urban centres today, however, indicates that the concerns of municipal governments have changed considerably. Two major trends, urbanization and globalization, are altering the role of major cities in the lives of Canadians.

The proportion of Canadians living in urban areas has rapidly increased over the past century. When the role of municipal governments was originally defined in Canada, less than 15% of the country's population lived in urban centres. Today, that proportion has more than quadrupled, with over 80% of Canadians living in urban areas. And most of them are in large cities: 62.7%—nearly two-thirds—live in one of Canada's eighteen Census Metropolitan Areas (CMAs) (Vander Ploeg et.

A large proportion of citizens in western Canada's major cities share the growing focus on the local community. When western Canadians were asked with which they primarily identified—their city, town, or rural area; their province; western Canada; Canada; North America; or the world—26.8% (the second largest proportion) of westerners living in CMAs said that they identified most with their city. A slightly larger proportion (29.9%) identified primarily with Canada (Berdahl, 2001).

al, 1999). The big cities have become the place where most Canadians live their lives–they are the country's key population hubs. The quality of life enjoyed by most Canadians is reflective of the quality of life offered by the major cities.

As a larger proportion of Canadians comes to live in urban areas, cities are increasingly the place where economic activity takes place. As people are drawn to live in cities by economic opportunities, economic activity is further encouraged by increasing interaction and innovation, which in turn draws more people and enhances the importance of cities as population centres.

Globalization further reinforces the importance of cities in the lives of Canadians (Harmsworth, 2001). While people increasingly relate on a global scale, they "still need a home base, somewhere to raise a family, walk the dog, and talk to friends over a beer, coffee or the fence rather than over the Net" (Gibbins, 2000: 679). Accordingly, the community and its local infrastructure and services play a central role in the daily lives of the vast majority of Canada's citizens. And, with nearly two in three Canadians living in one of the country's largest cities, the local community is most likely a major urban centre.

Similarly, globalization enhances the economic importance of cities. Technology that enables the rapid transmission of capital, raw materials, finished goods, and services around the world has created the possibility for a "global assembly line" (Sassen, 1991: 10), where organization, management and production can occur in opposite corners of the globe. However, just as people need a home base from which to live their daily lives, a global assembly line requires locations from which to manage and coordinate these flows of capital, goods and products to enable businesses to interact on a global scale. This process "must necessarily occur in cities" (Sassen, 1991: 4); the necessary services, infrastructure and interpersonal interaction exist only in large centres, making cities points of entry to the global economy for surrounding regions, provinces, and countries.

The two processes of urbanization and globalization are interacting to ensure that cities are fast becoming the foundations on which the social and economic health of Canada, and its provinces, depends. As urbanization and globalization continue, cities will only increase in importance as social and economic hubs. As Jane Jacobs (1984: 232) insists, " . . .we are left with a hard, plain truth. Societies and civilizations in which the cities stagnate don't develop and flourish further. They deteriorate."

"... cities are going through a huge structural transformation, perhaps the greatest – and, if not, certainly the second greatest – in their collective history. They are evolving from industrial cities or goods-handling cities into what are variously called post-industrial, or tertiary, or informational cities. That change is at least as momentous as the one that made some of them into industrial cities between 150 and 200 years ago ...." – Peter Hall (1989: 2)

What do Canada's cities need to be competitive in the global system?

The increased mobility of goods, capital, industry and people has resulted in an increased emphasis on urban competitiveness (see Hall and Hubbard, 1998; Kresl and Singh, 1995; Smith, 1992), and the number of competitors has grown dramatically. No longer are Canadian cities competing primarily against each other, or even only against cities within Canada and the United States. Cities compete globally for businesses and residents, tourists, transportation linkages (such as airline hub locations), and international profile.

What characteristics must cities have, then, if they hope to be competitive in the increasingly networked global system? Three factors–a strong, advanced economy, a high quality of life, and efficient infrastructure–are often presented as key characteristics of cities that are successful the global system. A city strong in these three areas can attract and retain "higher quality" businesses and workers, and ultimately is a place where people want to live and where businesses wish to locate. Though these factors do not constitute the entirety of the urban competitiveness equation (other factors include location and climate), they do represent broad areas where public policy at all three levels of government can have significant impact.

In creating a strong, advanced urban economy, the following elements are at least partially malleable through public policy:

- **Economic diversification.** Without diversification, the urban economy is subject to extreme fluctuations related to its dominant industry (Hall, 1989). To increase the long-term viability of their economies, many cities are working to build on recognized industrial strengths and to develop a concentration of financial services, high tech industries, and research and development (Economist, 2001; Sassen, 1991).
- **Large, skilled work force.** A competitive city requires a large, skilled work force (Castells, 1989; Kresl and Singh, 1995). To achieve this end, the urban environment must include advanced educational opportunities for its residents, and must be able to attract skilled workers from other jurisdictions.
- **Competitive business environment.** A city's competitiveness is impacted by its business environment, which includes taxes (federal, provincial and local), zoning laws, industry regulations, securities (investment) regulations, property values and rental prices, as well as public and business attitudes, particularly a spirit of entrepreneurism and civic activism (Economist, 2001; Egan, 2000).
- **Research and innovation.** One factor repeatedly noted as important to a competitive city is the presence of a major university or research centre (Egan, 2000; Hall, 1989; Kresl

"There is much the individual city's government and private sector entities can do to enhance that city's competitiveness and to enable it to achieve the most desirable economic future possible. Cities find themselves more exposed to international market and production forces than ever before and more vulnerable to its challenges to existing economic activities, but they are also more able to take advantage of opportunities for improvement and revitalization than has ever been the case."— Peter Kresl (1995).

and Singh, 1995). This presence is important for at least three reasons. First, it attracts students who, should they choose to remain in the city after completing their degrees, increase the number of educated workers. Second, the university generates economic spin-offs and helps spawn other research and development enterprises. Third, universities foster an environment of creativity and innovation (Hall, 1989).

The "liveability" of a city also has a great impact on its competitiveness, and analysts are increasingly aware that economic development requires attention to the social, cultural and physical aspects of a city as much as it does to the immediate business environment. Simply put, it takes more than low tax rates to become a competitive city. Many of the quality of life determinants can be influenced by public policy choices and private action:

- **Urban growth.** Growth has given rise to concerns about affordable housing, urban sprawl, the reduction of natural spaces, the increased need for infrastructure, and traffic congestion.
- **Public safety and tolerance.** People need to feel safe walking in their neighbourhoods, sending their children to the playground, and parking their cars on the street. People also need to feel there is sufficient racial and cultural tolerance in their community. Public safety and community tolerance may be difficult to measure, but certainly come into play when individuals are considering relocating to a city.
- **Services and amenities**. Cities with strong education systems, renowned hospitals and medical services, and a vibrant non-profit sector enjoy a strong competitive advantage. The need for urban competitiveness also increases awareness of the importance of green spaces, urban amenities, the arts and culture community, and the general attractiveness of the city (Florida, 2000; Kresl and Singh, 1995). Skilled workers, with a variety of locational options, do not want to move to ugly, polluted cities without recreational or cultural opportunities.

Infrastructure is fundamental not only for the daily functioning of cities; it is crucial for successful connection to global economic and social systems. Utilities, transportation infrastructure and, increasingly, telecommunications infrastructure, are the basic foundations upon which urban competitiveness in a global economy depends. As noted earlier, in a global economic system that is increasingly networked and increasingly dependent on the rapid transportation of goods, services, and people, large cities become the key coordination centres of this activity in their regions and gateways to the international economy. As a result, transportation infrastructure has enhanced

"... the conditions that gave rise to Silicon Valley and other high-tech regions are quite exceptional and difficult to replicate. One critical ingredient is a skilled work force. Thus, many high-tech firms locate in large metropolitan areas, near major universities or research centres, and in areas with amenities likely to attract professional workers and academic and industrial researchers." —Ingrid Gould Ellen and Amy Ellen Schwartz (2000).

importance for urban competitiveness.

In summary, urban competitiveness is an important goal for Canada's cities; by becoming competitive, the city by definition increases the sustainability of its economy and infrastructure, and improves the quality of life for its residents. While there are many public policy options available for cities to improve their global competitiveness, these options require flexibility and resources on the part of municipal governments. The question is, then, whether Canadian municipalities have the tools necessary to be competitive.

Does the current Canadian federal arrangement help or hinder cities?

In Canada, municipalities are neither constitutionally recognized nor given any specific powers or responsibilities. Instead, "Municipal Institutions in the Province" are assigned as one of a number of provincial responsibilities in section 92 (8) of the Constitution Act, 1867. This lack of constitutional position for municipalities makes sense when placed in historical context. However, while Canada has urbanized dramatically over the past 134 years, the constitutional status of municipal governments has not changed.

Municipal powers are set by provincial legislation, which can be amended by the province at its discretion. In addition, court decisions have generally upheld a principle commonly referred to as "Dillon's Rule": "Any valid exercise of municipal authority must be founded on a power that has been expressly delegated in provincial legislation" (Hoehn, 1996: 1). In other words, unless the provincial legislation states specifically that the municipality has authority in a given area, courts typically rule against the municipal bylaw.

Given the provincial-municipal constitutional relationship, inter-governmental relations take on a unique tone. Unlike federal-provincial relations, where each order of government comes to the table as an "equal," in provincial-municipal relations there is clearly a "senior" and a "junior" government. Other than public statements of dissatisfaction, municipal governments have little recourse if they disagree with provincial decisions impacting their populations, their responsibilities or their fiscal resources. The end result can be the public perception of an adversarial relationship between the two levels of government, or the perception of "whining mayors" going cap in hand to the provincial government for funding and forever lamenting their treatment. (Ironically, the tone of relations between the federal and provincial governments sometimes mirrors exchanges between provincial and municipal governments; provincial governments are often seen going cap in hand to the federal level, with a cool or disinterested federal response.)

"[In the new economy,] the nexus of competitive advantage shifts to those regions that can generate, retain, and attract the best talent. .... The rise of the new economy dramatically transforms the role of the environment and natural amenities – from a source of raw materials and a sink for waste disposal – to a critical component of the total package required to attract talent and, in doing so, generate economic growth."— Richard Florida (2000: 8)

Two points of friction between provincial and municipal governments in recent years have been urban finance and service downloading. The primary "own source" funding for municipalities is the property tax, and it is proving to be insufficient to meet municipal funding needs. Transfers from provincial governments, also traditionally an important source of funding, have been dropping in recent years. City managers and municipal associations report that there will be serious negative ramifications for municipal infrastructure in the years ahead if the funding issue is not addressed (Berdahl, 2000). Indeed, many of the large western Canadian municipalities ran deficits in the 1990s (Vander Ploeg, 2001). The downloading issue includes concerns about responsibilities that are formally transferred to cities, and responsibilities for which the provincial or federal government chooses to discontinue action, thus by default allowing responsibility to fall into the laps of the municipal governments. This raises municipal concerns about funding, their capacity to deal with new responsibilities, and the appropriate division of responsibilities between the two levels of government.

One challenge for cities is their under-representation in provincial legislatures, which makes it more difficult to ensure that urban issues receive appropriate attention in provincial policy debates. Unlike in the United States, where court decisions have led to strict representation-by-population for electoral districting, the Canadian Supreme Court has upheld large population variations in electoral district size. This results in an over-representation of rural areas and an under-representation of urban areas, and therefore a smaller voice for urban concerns than population alone would warrant. Another related representation challenge is the fact that provincial elections rarely feature significant debates about urban issues. Provincial governments can easily dismiss concerns about urban transit, for example, by noting the issue is a municipal responsibility, thereby avoiding debates about the importance of provincial funding decisions that ultimately impact the municipality's ability to provide high quality urban transit.

Despite these many challenges, all is not bleak on the provincial-municipal front. Provincial governments are becoming more open to reconsidering the role of municipal governments. In the West, municipal act reform is ongoing, with the reforms placing an emphasis on increased municipal autonomy and clarity of responsibilities (Vander Ploeg, 2000). For example, the newly elected BC government has committed to reviewing the potential of community charters to increase municipal autonomy (CivicInfo BC, 2001). While there is flux, the extent and direction of change remains unclear.

"Revitalizing our urban areas is good business. Not only will our private sector thrive by doing much of the work, it will reap the benefits of communities where employees enjoy a better quality of life and can be more productive on the job. One of the best kept secrets in state politics has been that, to the extent California has lost employers and jobs to other states, it has been over quality of life issues, such as congestion, housing costs, poor schools, and poor air quality, as much as over tax and regulatory concerns." – Antonio Villaraigosa (2000) – former Speaker of the California Assembly

Infrastructure Canada

The Infrastructure Canada initiative, announced in the 1999 Speech from the Throne, is a recent example of federal involvement in municipal affairs through a tri-lateral agreement among the three levels of government. The federal government has committed $2.65 billion for building and renewing physical infrastructure across the country, with $2.1 billion allotted specifically toward municipal infrastructure. Municipal, provincial, and federal governments will each contribute one-third shares to projects in particular communities, with priority being placed upon environmentally friendly "green municipal infrastructure." Other focal points include "support for local public transportation, culture, and tourism, recreation, rural and remote telecommunications, high-speed Internet access for local institutions, and affordable housing." Management committees made up of representatives of the federal and provincial or territorial governments have been established in each of the provinces and territories to administer the program; however, municipal governments act as advisors to the committees, rather than serving as full members (Infrastructure Canada, 2001).

Where does the federal government fit into all of this? Given that municipalities are a provincial responsibility, one might expect little or no federal government relationship with the municipalities. To a large degree, this has been the case; the federal government has been involved in a number of policy areas that are key urban issues, such as housing and homelessness, but has rarely had a clearly defined policy for cities and urban issues (Tindal and Tindal, 2000; Andrew, 1994). When the federal government does become involved in cities, it is typically through its spending power and often in the form of tri-partite agreements. For example, since 1994 the federal government has funded infrastructure programs, with municipal infrastructure included among the funding priorities.

The other notable exception to the pattern of limited direct federal involvement in municipalities was the Ministry of State for Urban Affairs (MSUA), which operated from 1971-1979. MUSA was set up to coordinate federal urban activities, establish agreements among the three levels of government, and conduct research (Andrew, 1994). The Ministry failed to meet its goals; one reason cited was that "the federal policy irritated the provinces, and they became increasingly vocal in their opposition" (Andrew, 1994: 431). The legacy of MUSA's demise is that federal governments "continue to have federal policies enacted without regard to their urban impact" (Tindal and Tindal, 2000: 231).

"Increasingly, municipal governments are becoming frustrated by the paternalistic system within which they are forced to operate, particularly as the federal and provincial governments continue to offload major responsibilities (but not funding) to local governments. The search is on for an appropriate way to modernize the framework for local government." — Federation of Canadian Municipalities (2001a: 2)

It is important to stress that the constitutional assignment of municipal institutions to the jurisdictional domain of provincial legislatures does not preclude active engagement in urban policy by the federal government. Although the federal parliament is quite properly prohibited from interfering with the structure and operation of municipal institutions, it faces no such constitutional constraint when it comes to urban issues such as housing, public transportation, infrastructure or the arts. The analogous situation is to be found in health policy, where the constitutional assignment of hospitals to the provinces has not precluded very active federal engagement in health policy. Simply put, the argument that the constitution limits the federal role in urban affairs does not bear scrutiny. The real constraints, to the extent that they exist, are financial and political; they reflect more a lack of imagination or political will than black letter constitutional law.

It should also be stressed that federal policy in the areas of immigration, the environment, employment and training, trade, and fiscal policy, among others, can have a great impact on cities; the challenge facing municipalities is to ensure the federal government considers these impacts. Again, as at the provincial level, one issue is under-representation of urban areas and over-representation of rural areas in the House of Commons, muting the urban voice at the national level. It is notable that the federal government has a commitment to examine all its policies through a "rural lens" to ensure they impact positively on rural Canada (Government of Canada, 2000). Given that the vast majority of Canadians live in urban areas and that cities, not rural areas, are the drivers of the national economy, this attention to the rural in the face of continued inattention to the urban seems misplaced. The recently announced Prime Minister's Caucus Task Force on Urban Issues may attempt to redress this imbalance.

How do municipal governments perceive the current arrangement?

From the perspective of many of Canada's mayors and municipal associations, there are a number of challenges in the current federal arrangement. Chief among these is the lack of autonomy for municipal governments, described by the Union of British Columbia Municipalities (UBCM) as an "out-dated system of intergovernmental relations" (UBCM, n.d.). The lack of autonomy means that local decisions can be revoked or overturned by provincial governments – a difficult position for local representatives.

There are also strong criticisms and concerns about the fact that local governments are faced with extensive de facto residual responsibilities. If senior governments fail to adequately address policy issues in their domain, local governments are left to address the policy gap. Examples include homelessness and housing. In addition, and as noted earlier, provincial governments are able to

"[If] municipalities are to act as a political mechanism through which a local community can express its collective objectives, then it is essential that municipalities be involved in as many activities as possible that are of interest and concern to the local community. This means expanding, not reducing, their sphere of influence." —C. Richard Tindal and Susan Nobes Tindal (2000: 222)

download responsibilities to municipal governments as they see fit. Because growing local responsibilities have not necessarily been accompanied by increased power, finance and authority, municipalities across the country are increasingly concerned about their ability to meet these responsibilities within the current framework (FCM, 2001a).

Following from these two concerns, a pressing and immediate challenge identified by Canada's mayors and municipal associations is the lack of fiscal resources for municipal governments. Local governments have limited access to own-source revenues, with property taxes being the primary revenue source (see Vander Ploeg, 2001). Unlike sales and income taxes, property taxes do not grow significantly with (and inevitably lag) economic growth. In addition, Canada's big city mayors report that property taxes are insufficient to meet local government responsibilities, especially when cities must compete head-to-head against American cities with greater flexibility in taxation options (Wheeler, 2001). As a result, reported Calgary Mayor Al Duerr, "their cities are revitalizing while ours are falling so far behind" (Heyman, 2001).

"We're listed in the Constitution of the late 1800s between saloons and asylums and that's where we get our power, so we can be offloaded, downloaded, all those kinds of things."— Former President of the FCM Joanne Monaghan (in Dube, 2001: A5).

Provincial grants are a second important revenue source for local governments and, the FCM asserts, further reduce municipal autonomy and contribute to financial concerns. First, they may be revoked or cancelled at any time, as in the 1990s when grant revenues declined considerably due to provincial budgetary cutbacks, thereby enhancing financial uncertainty and making long-term planning very difficult, if not impossible. Second, they are usually conditional, earmarked for a specific purpose by the granting body, thus making it very difficult to determine locally where funding is needed most (FCM, 2001a).

A final challenge to note with the current federal arrangement is the lack of representation for municipal governments in provincial and national decision making in areas that impact the cities. Current intergovernmental mechanisms do not always incorporate municipal governments, and important urban perspectives are not always brought to bear on policies that impact cities. For example, immigration policy is under federal jurisdiction, but the vast majority of immigrants to Canada initially settle in large cities (Roach and Berdahl, 2001).

Mayors, city councillors, and municipal associations have been highly vocal in recent years about their displeasure with the current federal arrangement. They attribute the following urban challenges directly to inadequacies with the current power balance and/or fiscal arrangements.

- **Infrastructure Needs.** Mayors and municipal associations argue that more money is needed to provide the basic structures on which city life depends, including roads, bridges,

water, sewers, solid waste disposal and city buildings. The FCM points to recent incidences of water contamination in Walkerton, Ontario, and North Battleford, Saskatchewan as evidence of the necessity for a permanent national water infrastructure program to ensure that water quality adheres to national standards. The FCM argues "spending must increase five fold to $1.7 billion annually within the next five years" (Charlottetown Guardian, 2000a: A5).

• **Public Transit**. The FCM asserts that Canada needs $1 billion per year toward public transit, both to address traffic concerns and to help cut air pollution (FCM, 2001c). Vancouver Mayor Philip Owen has suggested that the federal government allocate 3 cents per litre of its 7 cents per litre fuel excise tax to funding transit across the country (Loyie, 2001).

Housing and Homelessness. Big city mayors report increasing challenges related to affordable housing and homelessness. For example, The Toronto Report Card on Homelessness found that despite economic growth and dropping unemployment rates, the number of homeless continues to rise (City of Toronto, 2001). A contributing factor is the shortage of rental housing in the city: "since 1998 there has been virtually no new rental construction . . . There have been no government-assisted rental housing completions since 1997" (City of Toronto, 2001: 10). Winnipeg Mayor Glen Murray points out that "we're the only G-8 country where there isn't a national funding program for housing of any significance" (O'Donnell, 2001).

"If you are going to cut off those transfer payments, and add on this additional responsibility, give us the taxing authority."—Vancouver Mayor Philip Owen (O'Neil, 2001: A3).

In addition to the issues outlined above, municipal associations and mayors note challenges in the areas of emergency services, drug addiction, programming for urban Aboriginal peoples, greenhouse gases and other environmental issues impacting cities (see FCM, 2001c).

In response to these problems, municipal associations and mayors advocate significant changes to the current federal arrangement. Many municipal leaders argue that in order to fulfil their growing list of responsibilities, they need a less paternalistic, more flexible framework in which local governments can respond autonomously to matters of local importance. Municipal associations also have suggestions to redress fiscal imbalances. For example, UBCM argues that local governments require a share of provincial revenues, that the conditional nature of most governmental grants should be removed, and that programs exclusively determined by another level of government should be entirely financed by that senior government (UBCM, n.d). UBCM also states that when municipalities are saddled with new responsibilities, additional sources of revenue should be provided.

Looking West

Although mayors and municipal associations insist that local governments need greater power and fiscal resources, the residents of western Canada's largest cities are not as sure. When asked whether they felt that their municipal governments had enough power, too much power, or too little power, only 36.4% of western Canadians living in CMAs felt that their city governments had too little power. Interestingly, those living in rural areas (with populations less than 10,000) were significantly more likely (45.2%) to feel that their local governments do not have enough power. Those living in small urban areas (with populations of 10,000 – 99,000) fell between their large urban and rural counterparts; four in ten (40.7%) thought that their local governments had too little power (Berdahl, 2001).

There are a variety of means proposed to "update" the current municipal status. While some, like Ottawa Mayor Bob Chiarelli, suggest that "we need a new constitutional, administrative relationship between the two upper levels of government and the urban areas" (Montreal Gazette, 2001), much discussion has focused on finding solutions within the existing constitutional framework. One option that has been examined with enthusiasm across the country is the creation of municipal charters, which offers the possibility of appropriately increasing the flexibility and authority available to municipalities within the current constitutional arrangement. The City of Toronto has made considerable effort to gain charter city status; this would "spell out clearly the City's spheres of power with respect to local matters and give the City the authority to act independently within these spheres" and "recognize Toronto as an 'order of government'" that must be consulted whenever provincial financing and policy changes are being developed (City of Toronto, n.d.). AUMA has examined the idea of a Provincial/Municipal Charter Agreement, where the responsibilities of each level of government would be clearly delineated and local governments would receive greater authority in their own sphere (AUMA, 1999: 10). The FCM is working to outline a much broader model charter that will delineate the necessary authority that Canadian municipalities in general need to be globally competitive (FCM, 2001c). And there are signs of movement on the charter city front: as noted earlier, the Province of British Columbia has just announced its commitment to the creation of a Community Charter by January 2002 in order to enhance the autonomy of local governments in British Columbia (CivicInfoBC, 2001).

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"It's an appalling reality. We have large cities with no sewage treatment whatsoever. We've got a long catch-up game to play here."— FCM Executive Director James Knight, (Charlottetown Guardian, 2000b: B9).

small urban areas (with populations of 10,000 - 99,000) fell between their large urban and rural counterparts; four in ten (40.7%) thought that their local governments had too little power (Berdahl, 2001).

Is Canada Unique?

Given that we are examining the federal position of Canadian cities in the context of urban competitiveness in a global system, it is useful to consider trends and practices in similar federal systems. Two countries - the United States and Australia - are directly comparable to Canada: both are federal systems in developed nations, neither constitutionally recognizes its municipal governments, and both give states responsibility for local governments. Both also illustrate a central point of this analysis: similar constitutional structures can accommodate quite different functional and inter-governmental arrangements. In short, when it comes to urban affairs, constitutional constraints are modest as best.

Australia

In Australia, local government powers are derived from state legislation, with some states having local powers included in the state constitution. Senior governments typically view local governments as service delivery agents, and Australia is reported to have "the weakest range of local government functions of any western country" (Aulich, 1997). Up until the early 1990s, local government powers were limited to those specified in legislation. However, the 1990s were marked by legislative reform, with state local government Acts being updated to help clarify jurisdictional responsibilities, increase local powers and capacity, and improve local governance. The responsibilities of local governments vary between the states, but generally include "local public works, recreation, public health, community services, building, planning and development approval and cultural activities" (Smith, 1996; see also Productivity Commission, 1997).

Although the federal (Commonwealth) government does not have direct control over local governments, it has nevertheless played a significant role in local government affairs. In 1973, the federal government began providing funding support to local governments, primarily through Financial Assistance Grants that "aim, as far as practicable, to bring all councils within a State up to the same fiscal level" (NOLG, 2000). In effect, the federal government provides equalization payments to local governments. Financial Assistance Grants are not given directly to the local governments, but rather from the federal government to the state governments on a per capita basis, who then distribute the grants. The grants are unconditional, allowing for full local flexibility (Smith, 1996). The federal government also provides conditional grants directly to local governments for the provision of "childcare, aged care services, disability services, natural disaster

"The Federal Government has an interest in improving local government performance. This interest stems from:

ß The considerable financial assistance the Federal Government provides to local government;

ß The contribution local government makes in delivering key services, such as child care and frail aged care, on the Federal Government's behalf; and

ß The impact councils have on local economies through regulation and economic development." (NOLG, 2000).

relief, training for Aboriginals and local government performance improvement" (NOLG, 2000). For the 2001-2002 budget year, the Australian federal government will spend over $1.8 billion in unconditional and conditional funding to municipal governments (ALGA, 2001).

Federal attention to local governments has not been limited to funding. In the late 1980s and early 1990s, the federal government allowed local representation at special premiers' conferences (Aulich, 1997), on the Council of Australian Governments (Marshall, 1998), and at "several intergovernmental Ministerial forums" (Smith, 1996). The federal government has also had programs for local government training and awards for innovation in local government. Finally, to ensure federal capacity to address local government issues, the federal government maintains the National Office of Local Government (NOLG), which administers grants and "seeks to foster a whole government approach to local government issues within the Commonwealth" (Smith, 1996: 3). The NOLG is currently housed in the Department of Transport and Regional Services.

How is this federal arrangement working for the cities? It is interesting to note that, as in Canada, there were concerns in the 1990s about senior governments downloading programs and responsibilities to the local level, without providing local governments the financial resources to meet these new obligations (Gilbert and Stevenson, 1993). There is also the reality of intergovernmental complexity: "There is an increasingly complex interrelationship between local government and the State and Federal governments. Because of this, there is a somewhat indistinct division of the respective roles and responsibilities of the three spheres of government, particularly in relation to financial transfers involving local government" (NOLG, 2000).

In addition, critics allege that the federal government has reduced its attention to cities in recent years (Property Council of Australia, 2000), and that local government's share of federal funding is dropping (ALGA, 2001). Indeed, many argue that rural and regional issues are seen as a greater priority than urban issues. Federal government attention to local issues is seen to vary with partisanship, with Labour governments being more interested in urban issues and Conservative governments typically placing less emphasis on cities.

In recent years, there have been demands for the Commonwealth government to develop a national urban strategy to ensure that Australia's cities are globally competitive and liveable. For example, the Property Council of Australia and the Council of Capital City Lord Mayors have called for national funding of an Australian Capital Cities Strategy that would eventually build to a formal urban ministry in the federal government. They also call for annual meetings between the Prime Minister, the Premiers and the Lord Mayors (Property Council of Australia, 2000).

United States

In the US, local governments fall under the residual powers of the states. Although a small number of states continue to apply the "Dillon's Rule" model of local government (powers limited to those legislated by the state government), the majority of large US cities operate under home rule, which grants local governments considerable autonomy:

> Under home rule, a city writes its own charter and adopts it, generally subject to voter approval. A city need not fear the restrictions of a state-imposed charter, and revisions do not usually require city officials to go to the legislature for approval. A city's charter can be drafted to meet the city's particular needs, and it can be updated when necessary (Nice, 1987: 140).

States vary in the application of home rule; some allow all cities and counties to be eligible for home rule, while others have population restrictions; some allow home rule to apply to a very broad range of areas, while others have prohibitions in selected areas. "Home rule is hence more often an attitude toward local government than it is a legal injunction against legislative action" (Adrian, 1976: 96). It is important to note that home rule does not always result in fiscal autonomy.

Home rule is in use in 45 states, with the broadest definition of home rule (local governments being able to act in any area not prohibited by the state or federal government) being applied in 26 states (Krane and Blair, 1999). Many states protect the concept of home rule in their state constitutions, and require the residents of the city to vote to adopt a charter. The American home rule experience demonstrates that a lack of constitutional recognition does not necessarily translate into a lack of local government autonomy.

There has traditionally been considerably greater federal involvement in local issues in the United States than in Canada, and local governments, in part through the US Conference of Mayors, have strong lobbyists for federal involvement (particularly through funding) in local areas. Currently the American federal government is involved in the areas of housing, economic development, community development, homelessness, policing, public transportation, and the environment, with funding flowing from several federal departments including the Departments of Housing and Urban Development (HUD), Treasury, Justice, and Transportation. (FCM, 2001a). The Transportation Equity Act for the 21st Century (TEA-21), announced in 1999, is a major example of federal involvement in issues directly affecting local municipalities. Overall, the TEA-21 allocates $217 billion over six years toward transportation infrastructure development and maintenance of highways, transit and rail systems, as well as research (TEA-21, n.d.).

Has the involvement of the federal government benefited American cities? Most analysts are strongly critical of the pre-1990s federal urban policies, which emphasized suburban development; these policies are seen by many to be key contributors to urban sprawl and its many accompanying

"One of the most noteworthy developments in the American federal system in the past half-century has been the proliferation of direct contacts between the national government and local governments."
—David C. Nice (1987: 161).

For much of the past two decades, Washington turned its back on the nation's metropolitan areas. Despite recent improvements, cities are still orphans in our federal family."
(Villaraigosa, 2000)

problems. It should also be noted that the federal involvement was seen to have complicated intergovernmental relations considerably (Gelfand, 1980).

With regard to more recent federal policies, responses are very mixed. Some analysts argue that improvements in US cities in recent years are a direct result of federal engagement: "It is widely acknowledged that federal government support has been critical to several initiatives that have helped change the face of a number of American cities" (Institute of Urban Studies, 2001: 9-10). Others, however, argue that there are serious flaws with the federal programs. Bruce Katz (2000) of the Brookings Institute writes, "With notable exceptions like the Community Reinvestment Act, federal policies have been more a part of the urban problem than a part of the solution" (Katz, 2000). He argues that federal policies have resulted in over-bureaucratization and declining local control. A common criticism of the federal programs is that they tend to be "one-size-fits-all," rather than targeted at individual cities' particular needs. Others argue that current urban policies are merely correcting problems created by earlier federal urban policies (Dreier, 1996). And, as in Canada, American analysts also raise concerns that the federal government fails to consider the impact of its non-urban-focussed policies on cities.

SUMMARY

Clearly, the same constitutional framework – no constitutional recognition of local governments, responsibility assigned to the state/provincial governments – can result in very different outcomes. Federal approaches to local governments vary considerably between Canada, Australia and the United States, and demonstrate that Canada is not necessarily in a constitutional straightjacket in its approach to cities.

Despite the variations in federal approaches, a number of similarities between Canada, Australia and the United States should be noted. In all three countries, analysts and local governments are calling upon the federal government to more fully consider the impact of its "non-urban" policies upon urban areas. In all three, there are demands for a clear federal urban agenda and for federal spending on urban issues, specifically in the form of unconditional grant funding that would allow the cities to address their particular challenges. And in all three countries, there are concerns that elected officials and the public are unaware of the importance of cities to global competitiveness, and therefore unwilling to take the steps necessary to ensure the wellbeing of cities. It appears that a truly "urban attitude" has yet to emerge in any of the three federal systems. However, there is clearly growing dialogue and debate about the role of competitive cities in the global economy.

"One of the worst things that happened to American cities was the handouts from the federal government for particular things, which were not necessarily—in fact, seldom were—what was needed most. But the money was earmarked for these things . . . . Great big handouts tied to things in a distant place are . . . one of the worst things that can happen to cities. That's why I emphasize they need the power to do, and to decide." - Jane Jacobs, (in Wheeler, 2001).

Should Canada reconsider the role of municipalities in federalism?

To be competitive in the global environment, cities need strong economies, high quality of life, and workable infrastructure. The question is, which level of government should be responsible for the public policy choices that create these ends? In theory, one could argue that it does not matter which level is responsible, provided that the needs are met. However, this argument ignores the very rationale for having local governments in the first place. Local governments are a mechanism for the expression of local preferences. Not all communities have the same needs or the same community vision. Just as advocates of decentralization in federal-provincial debates argue that provincial control allows for policy experimentation and best practice lessons, decentralization to local governments allows for local policy experimentation and learning among cities.

Under the current arrangement, Canada's big cities are suffering from insufficient fiscal resources, increased responsibilities, a lack of autonomy and a lack of voice in the provincial and federal realms. This is compounded by the under-representation of urban areas –and thus a diminished urban voice– in provincial legislatures and the House of Commons. This raises important questions. What federal-provincial-municipal relationship would best meet the 21st century needs of cities in Canada? What are the practical options for incorporating cities in Canadian federalism?

These questions do not have clear and simple answers. As in all questions of intergovernmental relations, strong consideration must be given to the political "do-ability" of any option. What is pragmatic becomes as important a question as what is desirable. However, a brief survey of the Australian and American federal and constitutional arrangements illustrates that there is a wide range of possibilities for increasing the capacity of Canadian local governments within the current constitutional system. Canadians and their governments need to begin a thoughtful discussion of these questions. Failing to do so will undermine the long-term competitiveness of cities and, by extension, of Canada.

"Globalisation has meant the emergence of the global city will occur with or without senior governmental support" (Smith, 1992: 105).

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